Ethical Leadership - How to integrate empirical and ethical aspects for promoting moral decision making in business practice

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Chapter 14
Ethical Leadership – How to Integrate Empirical and Ethical Aspects for Promoting Moral Decision Making in Business Practice

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14.1 Introduction

Corporate ethical scandals, the financial and economic crisis of the past several years, and examples of misuse of power by prominent leaders have shocked the business world. They have not only called into question the role of the economic system design at large, but have also raised questions about the role of leaders in influencing ethics and ethical behavior in organizations. It is hardly controversial to state that aspects of management and leadership are crucial in determining the strategical direction and daily operations of an organization. Few would doubt that leaders are key figures in shaping ethical conduct. However, little is known about what constitutes ethical leadership. What are the relevant competencies leaders should acquire? The behavior of leaders and the extent to which they behave with moral integrity has also become a topic of high interest in the media and public discussion. Yet, many people believe that ethical leadership is simply a matter of having good character or having the "right values. "Although character and values are obviously important, the concept of ethical leadership is far more complex than those factors and there is little consensus on what precisely characterizes ethical leadership.

The field of ethical leadership can be divided roughly into two realms of inquiry. Psychology (and economics) is concerned with descriptive (or empirical) ethics as

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to how individuals "do" behave, while ethics is concerned with the normative implications of leadership and the question as to how individuals and organizations "should" behave. We argue that both empirical and normative approaches are important in the research and discussion of ethical leadership. Hence, this chapter explores the possibilities for cross-fertilization between psychology and ethics.

The purpose of this chapter is threefold. Our first goal is to highlight some typical features of the empirical and normative approaches to exploring ethical decision-making and behavior, and to sketch out how ethics and psychology can learn and benefit from each other. We argue that empirical research without normative reflection is "blind". Since empirical leadership research usually has normative implications, normative reflection is necessary to identify and understand those implications. On the other hand, normative reflection is "empty" without empirical insights. We believe that studying ethical leadership using an interdisciplinary approach helps to advance our knowledge of what constitutes or should constitute ethical leadership and how it can be promoted. Second, based on previous empirical research and our own perspectives, we wish to shed light on some important components and competencies of ethical leaders. Even though most scholars agree that all forms of leadership should be based on some ethical foundations (Bass and Steidlmeier 1999; Kanungo 2001), discussions still differ in regard to what should be expected from an ethical leader. While discussing important characteristics of ethical leaders, we also aim to discover some unresolved key questions about ethical leadership. We argue that these questions reflect important points of intersection between empirical and normative approaches, and points where it appears beneficial that normative reflection comes in. These questions and their implications for the practice of moral behavior and leadership will be discussed in the final section.

14.2 The Relation Between Empirical and Normative Research

Both ethicists and psychologists are concerned with identifying the qualities of moral behavior, yet they pursue distinctive goals. Ethicists usually evaluate and justify the quality of actions through reflective deliberations (Singer 2000) referring to abstract standards of ethical conduct and a moral point of view. Their focus is on normative goals and the question of what ought to be done. In contrast, psychologists examine people's beliefs, values and actual behaviors in specific contexts, and test assumptions about the mechanisms involved in ethical decision-making and behavior through empirical research. Their focus is on descriptive goals which aim to discover what actually is. Despite these differences, calls for a dialog and a closer relation between the empirical and normative approaches in moral research and business ethics are often heard (e.g., Singer 2000; Weaver and Treviño 1994; Waterman 1988). Our goal in this portion of the chapter is to contribute to this

empirical-normative dialog in the context of ethics and ethical leadership by emphasizing how the two can be mutually beneficial.

One problem of empirical research in the realm of ethics is that its concepts of moral values, norms or behavior typically rest upon consensual beliefs and common views of morality. This is also the case in leadership research. As such, the research concepts represent "social constructions that reflect the value and paradigms of leadership at a particular time and place" (Ciulla 2006: 21). Though empirical studies often build upon prior interviews with experts and practitioners, the concepts implemented in experiments and surveys are based on characteristics people consider to be ethical in leaders. However, generating knowledge about what people claim to be moral does not tell us if these claims are normatively appropriate. In other words, providing descriptions about what *is*, does not automatically reveal what *should be* (Waterman 1988; Fraedrich et al. 2011: 240). When, for example, Kohlberg claims that the highest stage of moral thinking is expressed in terms of a deontological moral perspective, this description shifts into prescription (cf., Miner and Petocz 2003: 15). In philosophy this slide is considered problematic and is called the "naturalistic fallacy" (Dunfee and Donaldson 2002: 41). Interdisciplinary collaboration is therefore important to psychology since it helps to take into account the normative implications of the concepts used, and to reduce the risk of merely deeming common sense to be sufficient for deciding which standards and behaviors are ethically adequate. Moreover, as Miner and Petocz (2003) argue, any psychological investigation must acknowledge the importance of meta-ethical positions and specific moral theories for ethical decision-making and then "consider how they might affect the processes and outcomes of decision-making" (p. 14).

On the other hand, in examining which processes and factors determine moral judgment and behavior, psychology has provided solid insights about human functioning which should also be essential for understanding normative ethics. For instance, one insight, for which there is converging empirical evidence, is that moral judgment and decision-making are often based on automatic intuitive reactions rather than reflective deliberations (Haidt 2001). Studies have shown that externally induced or even hypnotically induced gut feelings (such as flashes of disgust) do causally affect moral judgments, supporting the view that such gut feelings or moral intuitions serve as information when evaluating moral transgressions (e.g., Wheatley and Haidt 2005). There is, in addition, much evidence that the nature of automatic-intuitive or more deliberative-reflective processing is highly contingent on personal and situational factors (e.g., Fazio 1990). Overall, empirical research has made a valuable contribution to normative ethics and encouraged further discussions by forcing acknowledgement of the role of moral intuitions and automatic processes in ethical decision-making (Kennett and Fine 2009; Treviño 2009).

Should normative ethics account for these empirical findings about what determines moral judgment and decision-making? In the context of business ethics, empirical sciences provide information about actual problems and conflicts with which business agents contend. They generate knowledge about individual differences in judgment, behavior, values and attitudes based upon the people who make decisions. This is important for ethics for two reasons. First, without this empirical

"material" normative ethics would lack a sound basis for its reflection. Hence, it is an important task for ethics to clarify and formulate systematically what people think (Miller 2008: 93f.). Second, normative approaches without certain knowledge of people's specific beliefs and values, which serve to guide their judgments and behaviors, risk being irrelevant to any attempted application or implementation in daily life and professional settings. In either case, normative ethics proceeds in a critical way, asking whether or not people's given moral judgments and decision-making are right from a moral point of view. This form of critical analysis may, of course, end in doubts about the legitimacy of empirically ascertained moral judgments and decisions.

In sum, we believe that fostering a empirical-normative dialog is beneficial for advancing moral theory and research. Empirical research is blind without normative reflection since its concepts fail the critical analysis of whether they are normatively appropriate, meaning whether the norms and values people use to guide their judgments and actions are indeed right. In turn, normative reflection is empty without empirical knowledge and risks being of little practical value without acknowledging the relevance of what is, and why it is. To generate an empirical-normative dialog, the purpose of the next section is to identify some intersections within ethical leadership research where the bringing together of "is" and "ought" issues may be crucial and useful. To this end, we start with a short overview of the empirical literature on ethical leadership and then define some core features of ethical leaders. In so doing, our goal is to identify those (or at least some) key areas of ethical decision-making and ethical leadership research where it may be important to employ normative reflection.

14.3 What Are the Characteristics of Ethical Leadership?

14.3.1 Empirical Research on Ethical Leadership

Understanding the constituents of ethical leadership has captured the interest of researchers and practitioners alike. In particular, one large empirical research line has looked to develop frameworks explaining the process of ethical decision-making (for a comprehensive overview, see Treviño et al. 2006). While this research has made important contributions to understanding and predicting ethical decision-making by describing how individuals actually think and act when faced with ethical situations, it says little about what the essential characteristics of ethical leaders are. In this regard, leadership research and, more recently, research into moral intelligence (see also the Chap. 7 of Tanner and Christen, in this volume) seek to identify and develop moral competences of ethical leadership and conduct.

As to leadership research, various approaches have emerged over the past decades. Although all of them tap into ethical aspects in some way, such dimensions actually play a relatively implicit or indirect role. For instance, embedded in the

charismatic or transformational leadership paradigm is the idea that "transforming" leaders are those who feel responsible for achieving the good for their organization and society, and who inspire followers to elevate their levels of motivation and morality (Bass and Steidlmeier 1999). Conceptualizations of authentic leadership typically assert that (moral) authenticity is achieved when individuals act in concert with an internalized moral perspective (e.g., Gardner et al. 2005). Still other models have highlighted either the importance of a leader's ethical values that guide choices and behaviors (e.g., Resick et al. 2006; Russell 2001), or the role of a leader's moral virtues (e.g. Manz et al. 2008; Solomon 2003).

With an explicit focus on ethical leadership, seminal work has been performed by Brown and colleagues (Brown et al. 2005; Brown and Treviño 2006). They define ethical leadership as "the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication and decision-making" (Brown et al. 2005: 120). As to this conceptualization, ethical leadership involves promoting normatively appropriate conduct through role modeling and interpersonal relationships. The authors also suggest some ethical ideals that they deem to be (normatively) right: ethical leaders should be perceived as trustworthy, fair and concerned about others; they should set clear ethical standards and use rewards and punishments to promote ethical conduct. Consistent with these suggestions, Brown and colleagues have built an Ethical Leadership Scale (ELS) designed to assess whether a leader can be characterized as fair, trustworthy, or caring, and whether he or she makes an effort to communicate or demonstrate ethical behaviors (Brown et al. 2005).

In a similar vein, one author of this chapter and her colleagues have taken an action-based approach, developing an Ethical Leadership Behavior Scale (ELBS) (Tanner et al. 2010) that is based on specific behaviors reflecting concrete manifestations of ethical values (such as fairness, respect) across occasions and situational challenges. This approach shares with others the idea that moral norms and values are essential in guiding and promoting ethical conduct, but remains distinct from them by calling for more focused attention on whether and how moral values are reflected in behavioral patterns. It is commonly known that values and good intentions are not always implemented in actions. Of course, there may be many good reasons why leaders with moral intentions may choose not to act ethically, including that of avoiding unpopularity or preserving their own career (May et al. 2003). Tanner and colleagues (2010) and other scholars (Ciulla 1999) therefore emphasize the importance of leaders acting upon moral standards and values consistently, on a regular basis, and despite potentially unpleasant consequences, in order to earn the attribute of an "ethical leader."

With the concept of moral intelligence, a quite different approach to moral or ethical leadership has recently emerged. In the past, researcher and practitioners alike acknowledged that beyond cognitive skills, emotional intelligence and social intelligence represent additional advantageous capabilities (e.g., Goleman 1995; Salovey and Mayer 1990). In the aftermath of recent business scandals, researchers and practitioners alike have now started to turn their attention more thoroughly to

the moral competencies that business leaders should have or acquire. With an explicit emphasis on moral skills, Lennick and Kiel (2005) introduced the term moral intelligence to capture a new facet of intelligence. Tanner and Christen (Chap. 7 in this volume) define moral intelligence as the individual's capacity to process and manage moral problems. Current research and discussion is engaged in identifying and assessing the key elements and abilities of moral intelligence (Lennick and Kiel 2005; Martin and Austin 2010; Narvaez 2005; Chap. 7 by Tanner and Christen, in this volume). Scholars working in this area or the domain of moral expertise commonly assert that individuals need multiple abilities, but their approaches differ in terms of which skills and subskills are crucial. An elaborated model by Narvaez (2005), for instance, posits that moral experts need skills in ethical sensitivity, moral judgment, moral motivation and moral action. In general, we believe that the approach of moral intelligence with its emphasis on various moral skills can expand our understanding of ethical leadership in useful ways.

In the following section, we wish to highlight a few core characteristics of ethical leadership, building upon the research and development of leadership and morality. Our goal is also to discover points of intersection between empirical and normative approaches by identifying some key questions about ethical leadership that demand normative reflection. In this chapter we will focus on just three such points of intersection which we deem to be highly relevant (of course, we do not claim to be exhaustive).

14.3.2 Defining Ethical Leadership

We will structure the elements of ethical leadership using two categories which Treviño and colleagues (2000) termed the aspect of the "moral person" and the "moral manager." According to these authors, moral person refers to traits, characteristics and motivations of leaders. Yet, as Treviño et al. have emphasized, ethical leaders are not just moral persons, they are also moral managers in that they "lead" and influence followers to develop ethical conduct. This dimension of moral manager represents the leader's efforts to influence the ethical or unethical behaviors of followers. In what follows we focus on psychological literature but of course similar definitions are presented by business ethicists in philosophy (cf., Bowie 1999; Price 2005; Solomon 2009). With regard to aspects of the ethical person, we deem the following facets to be fundamental. [AU3]

Committed to ethical values: Psychologists usually assert that values, typically defined as stable beliefs about desirable states or conducts of behaviors (Schwartz 1992), are standards that serve to judge and justify actions and have the potential to energize and regulate behavior (e.g. Verplanken and Holland 2002). Since standards and values guide choices and behaviors, ethical values appear to be at the root of ethical leadership (Lord and Brown 2001). Schmidt and Posner (1982) therefore asserted that managerial values are the "silent power" in personal and organizational life. Lennick and Kiel (2005) have emphasized that ethical leaders distinguish

themselves from other leaders in that their thoughts, decisions and actions appear to be guided by moral principles and values. Lennick and Kiel (2005) have used the metaphor of the "moral compass" to refer to this set of moral standards, values and beliefs which serve as a reference in all matters of right and wrong. Although having a moral compass is relevant, it is not sufficient to initiate action. A leader may sometimes have quite clear ideas about what should be done, but he or she may then lack the motivation to pursue it. Literature suggests that commitment to ethical values is such a crucial motivational source that it leads individuals to prioritize moral goals over other ones and to strive for desirable moral ends (Narvaez 2005; Rest 1986; Chap. 7 by Tanner and Christen, in this volume).

Given these findings, ethical leaders are expected to be committed to ethical values that serve to guide their thinking, decisions and actions. We believe that this aspect is the first intersection at which normative reflection should occur. More specifically, asserting that ethical values play a crucial role leads to the ultimate question: which values can we consider essential? Which moral principles should leaders convey? These are normative questions that cannot sufficiently be resolved on an empirical basis by common sense and consensual beliefs about what people consider to be relevant. We will discuss this topic more thoroughly in Sect. 14.4.

Endowed with ethical competencies: Here, we refer to an additional set of personal moral competencies that are likely to facilitate ethical leadership. First, we expect leaders to be ethically sensitive, recognizing and identifying ethical issues when they arise in practice. Individuals may not always be aware that they are facing an ethical issue. As Trevino & Brown accurately pictured, decisions rarely arrive with waving red flags announcing that they are ethical issues (2004: 70). The relevance of this point is obvious: if leaders do not recognize the ethical nature of a problem, no moral judgment or decision-making process is initiated (Narvaez 2005; Rest 1986; Bleisch and Huppenbauer 2011; Chap. 7 by Tanner and Christen, in this volume). We therefore consider ethical sensitivity to be another key feature of ethical leadership.

Second, ethical leaders need problem-solving capabilities. Once an ethical problem has been identified, the next challenge consists of finding viable ways to cope with it. Drawing on prior work and current research, effective problem-solving entails reasoning skills. From a moral philosophical perspective, reasoning demands the capability to critically and impartially reflect on ethical dilemmas and to give good reasons and proper justifications for possible solutions (Maak and Ulrich 2007: 383ff, 480ff.). Leaders are frequently required to justify their decisions not only within the organization, but also towards stakeholders and society at large (e.g. Freemann et al. 2010). While moral psychology has intensively studied the development from childhood to adulthood of moral reasoning processes since Kohlberg (1984) and the ways in which individuals think about ethical dilemmas and justify their decisions, normative ethics teaches the application of multiple frameworks as method of choice when faced with dilemmas where values conflict. Yet, as noted, ethical problems are often rather complex and confront individuals with great uncertainty regarding possible alternatives and consequences, competing values and incompatible courses of actions, pressures from outside. Individuals have to cope

with emotional stress, especially when strong beliefs or convictions are at risk or when decisions have threatening implications (e.g., employees may be harmed) (Hanselmann and Tanner 2008; Luce et al. 1997). In addition, ethical problems rarely offer obvious solutions concerning which course of action is most ethical. This requires sound and viable reasoning skills.

We suggest that this type of discernment is another key area where an exchange between empirical and normative viewpoints is useful. Acknowledging the complexity of ethical decision-making is a critical step with respect to how a leader endowed with reflective capabilities should proceed in order to come up with a reasonable and justifiable solution. What are the criteria for appropriate and effective ethical decision-making and a reasonable solution? Again, we will address these questions later, in Sect. 14.4.

Note that reasoning and reflection typically require conscious cognitive or deliberate processing efforts. What if leaders work under conditions that limit their capacity for controlled processes, such as time pressure or high mental workload? Empirical evidence has demonstrated that under such conditions, which limit the capacity for extended reflection, individuals tend to rely on intuitive judgments (e.g., Fazio 1990; Marquardt and Hoeger 2009). Moral psychology and moral theory, mainly in the Kantian tradition, have focused on the conscious and deliberate aspects of moral judgment (e.g., Kohlberg 1984). This research, however, has underestimated the role of intuitive and affective processes in (moral) decision-making—a critique that was, among others, highlighted by Roberts (2003) and Nichols (2004), as well as by the social intuitionist model of Haidt (2001). According to Haidt, people often base their moral judgments on quick flashes of affectively-laden approvals or disapprovals ("gut feelings") which tell us that something is right or wrong (Haidt 2001; Monin et al. 2007). Meanwhile, an impressive body of research points to the fact that automatic and affective processes assert a much more powerful influence on judgment and decision-making than was previously believed (for an overview, see Loewenstein and Lerner 2003).

It seems obvious that, when under conditions that encourage intuitive rather than deliberate reasoning judgments, ethical leaders are expected to come up with the proper intuitions. Yet, when acknowledging that intuitions often play an essential and demonstrably causal role in decision-making, important questions arise as to how intuitive and reflective capabilities are or should be related. Is it acceptable, even desirable, to allow intuitions to affect ethical decisions or not? Are there "good" or "wrong" intuitions? What are the features of proper moral intuitions? The answer is not simple. There is a large body of psychological research demonstrating that intuitions and choices can easily be influenced by subtle, but otherwise irrelevant factors such as mood, problem descriptions, or the presence of others (Loewenstein and Lerner 2003). This provides little confidence about the relevance of intuitions. Other research, in contrast, supports the view that intuitions and affect contribute to better decision-making because they provide vital information about aspects of the current situation or about past experiences (Damasio 1994: Baumeister et al. 2007). This is another point of intersection for a dialog between empirical and normative approaches (see Sect. 14.4).

Third, we expect ethical leaders to act upon moral values, consistently and persistently, regardless of the presence of external obstacles. Ciulla (1999: 169) pointed out that "leaders sometimes lack the ability or the moral courage to act on their values". But, leaders' values only matter to organizations and followers if they convey their values and beliefs through "visible" actions. Ethical leaders are therefore expected to act in accordance with ethical standards. Even more, we wish them to behave so on a regular basis. Fundamental to our conception is that consistency between words and deeds must be demonstrated repeatedly, across time and situations (Tanner et al. 2010). This is based on the idea that the more a leader maintains an ethical stance over time and situations, and the more predictable and transparent his or her behavior, the more likely observers will be to characterize the leader as credible, trustworthy, or possessing integrity (Tanner et al. 2010).

Whether or not leaders act on their values is also influenced by their moral courage, the state of mind that enables one to pursue what is considered right, despite potentially unpleasant consequences (e.g., threat to career survival, financial costs, social pressures; Sekerka and Bagozzi 2007). We believe that ethical leaders are more likely than others to display moral courage and take a stand, even when it is costly (see also Solomon 2003).

We now turn to the aspect of ethical managers, which focuses on efforts to influence the ethical conduct of followers (Treviño et al. 2007). In general, there are several ways leaders can affect the ethical behavior of workers, including communication practices, performance compensation practices, ethical training, or codes of ethics, etc. (e.g. James 2000). We focus here primarily on two mechanisms that have been revealed to be important: role modeling and reinforcement by rewards and punishments.

Being a role model: Brown and colleagues (Brown et al. 2005; Brown and Treviño 2006) emphasized that ethical leaders should promote normatively appropriate conduct via communication of clear standards and intentional role modeling. According to social learning theory (Bandura 1986), leaders influence the behavior of followers through modeling. Bandura demonstrated the relevance of vicarious learning, suggesting that individuals do not only learn through their own, direct practice, but also by observing others' behavior and its consequences. The specific mechanisms involved are observation, imitation and identification. That is, by observing ethical leaders, followers may come to identify with those models, internalize their values and standards, and imitate their behaviors (Brown and Treviño 2006). Thus, having ethical leaders as role models can promote ethical conduct. Obviously, a leader's capacity to be an ethical role model is also based on that leader's ability to act upon ethical values, as noted above. We propose that only by engaging habitually in ethical behavior can leaders come to be seen as ethically credible models by the workers. We conclude that ethical leadership also entails leaders becoming models of ethical conduct by engaging in ethical behaviors (Brown et al. 2005).

Reinforcing ethical conduct: In order to generally promote ethical conduct, it is essential for each organization to have a kind of feedback system that reinforces the achievement of ethical goals. There is an extensive theoretical and empirical

literature indicating that organizational (formal or informal) rewards and punishments affect ethical behavior (see e.g., James 2000; Metzger et al. 1993). Above, we have highlighted the potential of vicarious learning. Followers also learn and adapt their behaviors through direct experience and its benefits and costs. Undoubtedly, due to their status and power to influence the organization and outcomes of others, leaders are an important source of reinforcement. Ethical leaders are therefore expected to set ethical expectations for followers and to hold them accountable by giving direct feedback on employees' conduct. In essence, ethical leaders should ensure that unethical behavior is punished, while ethical behavior is rewarded (Ciulla 1998; Treviño et al. 2003). The organizational structure established by leaders combined with informal organizational factors such as the corporate culture, are key elements in promoting ethical conduct (James 2000).

However, implementing a useful and effective reinforcement system is not simple. Some ethical lapses may go undetected, and others may not be the result of willful intent. In order to apply rewards and punishments, a leader must monitor and control follower's behavior. However, prior research suggests that too much control can undermine followers' work motivation or, when perceived as a threat to freedom, augment their resistance (i.e., reactance; Brehm 1966). Thus, it is not simple to ensure an "ethically balanced" system (James 2000) that does not inadvertently discourage ethical conduct.

To summarize, drawing on prior literature and building on our own work, we conceptualize ethical leadership as entailing: (a) adherence to ethically upright values and (b) endowment with ethical competencies. The latter entails subcompetences, such as ethical sensitivity, ethical problem solving skills (including proper reflection and intuition), and the ability to act in accordance with ethical values across time and various settings. Furthermore, ethical leaders should have the ability to influence and encourage employees to behave ethically (Ciulla 2006). For this reason, they should (c) serve as role models for employees and d) use rewards and punishments to promote ethical conduct.

14.4 Interdisciplinary Research into Ethical Leadership: Intersections with Normative Reflection

In Sect. 14.3 we identified a select number of key areas and questions where an integration of psychology and normative ethics appears to be important to improve our understanding of ethical leadership. We focused on three sets of questions:

1. Which values can we consider as essential in the context of ethical leadership? Which moral principles should leaders convey?
2. What are the essential features of ethical decision-making and reasonable solutions?
3. Is it acceptable or even desirable to allow intuitions to affect ethical decisions or not? Are there "good" or "wrong" intuitions?

14.4.1 Which Moral Values and Norms May Be Essential for Ethical Leaders?

There is no doubt that ethical norms and values play a crucial role in economic and management contexts. But ethical leaders need to know which moral norms and values are considered as essential. This question has become increasingly significant with the advance of globalization. Three points should be addressed here.

First: Throughout the world, a large number of countries has signed the "Universal Declaration of Human Rights." This indicates that the respect for human rights is nearing a consensus in the international community. Companies and ethical leaders can therefore draw on this global moral framework to adopt important values and standards. Even though the claim that human rights are grounded in universal moral principles has provoked highly controversial and lengthy philosophical and theological debates (cf., Dunfee and Donaldson 2002; Beauchamp 2010), it is reasonable that companies and leaders apply this moral framework to their own values, goals and actions when faced with tangible ethical problems. Indeed, the "Universal Declaration of Human rights" and its subsequent covenants represent the greatest normative consensus achieved on this topic within the international community. In light of this level of agreement, any respectable company must ensure that its legitimate pursuit of profits does not lead to 'collateral damage' in terms of human rights (Leisinger 2006: 15).

Furthermore, beyond the official consensus on human rights, a multitude of universally recognized norms, values and virtues exists for ethical leadership (e.g., Ciulla 2003; Price 2008; Solomon 2009). They include integrity, responsibility, compassion and forgiveness, as well as respect, honesty, integrity, caring, encouragement, courage and fairness, to name just a few. Norms, values and virtues of this nature have been well researched, both empirically and interculturally (see an overview, see Resick et al. 2006).

The problem is not so much a lack of awareness of these norms, values and virtues, but the fact that they are usually formulated so generally that they fail to provide orientation for specific actions. Questions often arise regarding how they are to be interpreted and implemented in individual contexts. For this reason, Beauchamp (2010) states how important it is "that we engage in specification: the process of reducing the indeterminate character of abstract norms and generating more specific action-guiding content. All general norms must be specified for particular contexts" (Beauchamp 2010: 260). This is true, not only for moral protagonists making ethical decisions and engaging in ethical reflection, but also for empiricists conducting research in this field. Empirical studies are bound to an analogous specification process if their conclusions are to be of any use, when they operationalize norms, values or virtues (e.g., Tanner et al. 2010: 229). For example, the value "respect" is operationalized by Tanner et al. (2010) in the context of the following two behaviors by leaders: "Insults coworkers while others are present" or "Includes employees in decisions that affect them." It is important to find appropriate specifications and

interpretations if research is to be fruitful, and this task is one that can only gain from an intersection between psychology and ethics.

These interpretations and specifications can, of course, lead to divergences and tensions, especially against a background of culturally differing interpretation patterns. It is therefore important to know precisely the contextual circumstances of a moral debate when striving for good ethical decision-making (cf., Bleisch and Huppenbauer 2011: 18–31). Since, in addition, it is likely that individual prejudices, bias or group interests may have entered into the abovementioned processes of interpretation and specification (cf., Rawls 2005: 58), critical reflection is a must.

Second: Another problem exists in the issue of which moral theory should underlie ethical decision-making. Moral theories (e.g., deontology, consequentialism, ethics of virtue or contractualism) serve to evaluate and substantiate the ethical legitimacy of actions, norms and values (Audi 2010). They provide fundamental normative criteria. Depending on which theory is adopted, different judgments and decisions can result. Various authors advocate pragmatic and pluralistic dealings with moral theories (e.g., Goodpaster 2002; Crane and Matten 2010; Miner and Petocz 2003). Instead, they prefer not to rely on one theory alone but on different theories. An important basis for this position is everyday moral life. Often decision makers use consequentialist as well as deontological reasoning to arrive at ethical judgments (cf., Sparks and Pan 2010: 413). In line with this, Goodpaster (2002) employs four principal "normative lenses" (or "avenues"). With them, he systematically questions the interests, rights, obligations and virtues of all those involved and affected (Goodpaster 2002: 127ff.). The "normative lenses" he uses correspond to fundamental normative criteria representing important voices in the ethical debate. In a modified guise they take up the abovementioned moral theories, aiming to achieve an adequate and potentially complex "insight of the moral point of view."

Third: So-called "bottom-up" approaches are being used more and more in applied ethics instead of the classic "top-down" approaches. Rather than taking abstract moral theories as a starting point, opting for one theory and then applying that theory to real situations, moral principles are instead critically reconstructed on the basis of different areas of practice and moral experiences, as well as intuitions, and then used within the framework of ethical decision-making. Particularly in this context, then, it makes sense to speak of "empirically informed ethics" (cf., Musschenga 2005). In the classic work on this methodology (Beauchamp and Childress 1979), autonomy, beneficence, non-maleficence and justice are cited as four universally recognized and therefore consensual mid-range principles. Regarding the normative criteria used, this ethical approach is therefore pluralistic. An analogous pluralism can be found in more recent works aiming to provide decidedly practical and viable methods for ethical decision-making (cf., Mepham 2008; Weston 2008; Bleisch and Huppenbauer 2011). Pluralism does not mean that the moral norms and values relevant to ethical leaders (such as fairness, respect, honesty, integrity) are arbitrary. Pluralism means that their justification and application to specific situations can occur within the framework of different moral theories.

14.4.2 What Are Essential Features of Ethical Decisions and Reasonable Solutions?

From a normative perspective, ethical competence undoubtedly includes certain reflective skills (Maak and Ulrich 2007: 383ff., 480ff.). From a certain distance and with a certain neutrality, ethical leaders have to be able to recognize moral issues, then to analyze and incorporate them in a reasonable decision (Bleisch and Huppenbauer 2011; Chap. 7 by Tanner and Christen, in this volume). In addition, ethical leaders are expected to justify their decisions, with sound arguments within their own company and in discussion with external stakeholders. What "reasonable" solutions are, how such arguments and justifications are to be structured, and how decisions are to be reached, all constitute crucial questions. Three points of interest with regard to this situation will be addressed in the following section.

First: As far as the meaning of "reasonable" is concerned, we find ourselves entering the terrain of moral philosophy. Taking all the information relevant to a problem (empirical facts, the interests of stakeholders, legal contexts, etc.) as a basis, it is sufficient for tangible problems to demand that controversial issues are processed in a manner that is intersubjectively comprehensible. This does not mean that a consensus must emerge. It simply means that reasonable persons have to be able to comprehend the decisions reached. In a famous formulation by John Rawls, reasonable persons are those who are able to "draw inferences, weigh evidence, and balance competing considerations" (Rawls 2005: 55). Since the use of such logical and argumentative means does not incorporate mathematically precise procedures and rules, differences of opinion are inevitable, as Rawls himself makes clear. However, it appears to be important with regard to moral practice that the interests and concerns of those affected and involved are fairly taken into account during the decision-making process (Dunfee and Donaldson 2009).

Second: Ethical leaders need to know how to arrive at well-structured and comprehensible results. Goodpaster (2002), for example, suggests a five-step method to cope with moral problems: (1) Describe the key factual elements of the situation; (2) Discern the most significant ethical issues at stake; (3) Display the main options available to the decision; (4) Decide among the options and offer a plan of action; (5) Defend your decision and your moral framework (Goodpaster 2002:128; see also Bleisch and Huppenbauer 2011 with an analogous model). Other authors have presented different methods of ethical decision-making (cf., Miner and Petocz 2003; Payne 2006; Maak and Ulrich 2007). Which of these methods is used is of less importance than the fact that ethical decision-making proceeds in a well-structured way.

Third: As stated earlier, when discussing the leader's problem-solving capabilities (Sect. 14.3.2), leaders often rely on intuitive judgments to address commonly recurring situations because a lack of time and resources inhibits them from carefully applying methods of ethical decision-making. Nonetheless, from an ethical point of view, a retrospective critical analysis of intuition-guided behavior is recommended to assess its adequacy. But even when sufficient time is available, it is

important to acknowledge that methods of ethical decision-making do rarely produce unambiguous and reproducible results (Palazzo 2007). Ethical decision-making is thus a process that must be continually reassessed.

14.4.3 What Relation Exists Between Moral Intuitions and Ethical Reflection?

This question brings us back to the abovementioned difference between empirical research and philosophical-normative reflection. On the one hand, empirical research can study how moral intuitions and reflection are interrelated in real ethical decision-making situations. On the other hand, philosophical reflection can (possibly based on these empirical findings) establish norms for how ethical decision-making should take place.

As mentioned in Sect. 14.2, psychological research has promoted acknowledgment of the role of moral intuitions and automatic processes in ethical decision-making (Kennett and Fine 2009; Treviño 2009). Meanwhile, a number of philosophical (and theological) authors have also advocated metaethical and methodological positions, according to which moral intuitions are an important component of ethical decision-making. In fact, the problem is not the moral intuitions themselves, but the question of the nature of the role they should play in processes of ethical decision-making. Looking at van Thiel and van Delden (2010: 189; see also their Chap. 10 in this book), one can first define moral intuitions very generally as "beliefs that a person comes to hold without extensive deliberation." On this foundation they then present an interesting model for how, within a theory of "Reflective Equilibrium," empirical findings can be used during decision-making: "The thinker who wants to produce a reflective-equilibrium has to consider empirical elements together with normative principles and background theories. In this process, the thinker aims for coherence among all relevant considerations" (van Thiel and van Delden 2010: 193). Empirical elements refer to the moral intuitions of practitioners who have gained a wealth of experience in their specific contexts: "People who work and live in a certain moral practice have experiences that are generally not found among those outside this practice" (Van Thiel and van Delden 2010: 187). Seen from this perspective, this model also makes it clear that moral intuitions are not simply emotions and affects which occur randomly and then disappear again, like anger, annoyance or rage: "These experiences amount to specific moral wisdom, which can be defined as expert-level knowledge and judgment in the fundamental pragmatics of life" (Van Thiel and van Delden 2010: 187).

Due to its focus on acquired competencies, this definition of moral wisdom can readily be linked to approaches from an ethics of virtues (Solomon 1992, 2003, 2009), yet is also in line with psychological approaches. According to several authors, intuitive decisions are highly accurate when they are "expert-like" (Dane and Pratt 2007; Hogarth 2001). As Narvaez and other scholars posited, moral

experts are similar to other experts. They differ from novices in that they have more complex, domain-relevant and chronically accessible mental structures, which trigger effective responses (Dane and Pratt 2007; Narvaez 2005; Lapsley and Narvaez 2005).

Van Thiel and van Delden (2010) argue that no intuitions need advance discarding from the ethical decision-making process. This stems from their definition of intuitions as expert knowledge. As the result of experiences, these intuitions do of course contain manifold influences, as well as reflections about the experiences in question (cf., Musschenga 2009: 608). Since they wish to have a basis for ethical decision-making that is as broad as possible, and an ethical judgment that is supported as broadly as possible, they rely on as much expert knowledge as possible (Van Thiel and van Delden 2010: 198f.). From an ethical perspective, this does not mean, however, that all the intuitions brought into play by experts are inherently correct. As already mentioned, prior research has revealed that intuitive judgment choices can easily be influenced by subtle but otherwise irrelevant factors such as mood, problem descriptions, presence of others (Loewenstein and Lerner 2003). Furthermore, it is probable that specific prejudices, biases and group interests may have entered into moral intuitions (see also Musschenga 2009). The important task of reflection and critical deliberation is thus to adopt a critical stance towards moral intuitions: "In the … process of moral reasoning, moral intuitions, principles and theories can gain or lose justificatory power" (Van Thiel and van Delden 2010: 198). In short, it is not self-evident that every expert intuition is ethically justified. This can only be judged as the result of an empirically enriched deliberation process.

Despite empirical research having demonstrated that human beings do not regularly draw on critical analysis and reflection, this does not imply that reflection is not needed; quite the contrary! Leaders should use reflective competencies at least in difficult and controversial situations. Lack of time is not a sound argument in most instances. Since moral questions usually address important issues, they should be processed with the same degree of earnestness and expertise as other important business issues. We do not intend to imply that protagonists have to be in a constant state of reflection but there are certainly many situations where intuition-based decision-making is clearly appropriate. Key occasions for reflection arise when conflicting interests are held by company stakeholders and intuitions are not helping to resolve the turmoil.

Since stakeholders are likely to have divergent interests and moral intuitions, not only the moral intuitions of the leaders themselves should be integrated in the process of ethical decision-making, but also those of the relevant stakeholders. Unfortunately, intuitions and convictions held by different stakeholders are sometimes directly and irreconcilably opposed (Leisinger 2006: 19). To deal with such situations, obviously, recourse to intuitions is not enough. Reasoned communication is needed between those involved, and in order for this to succeed, reflective and critical competences are required: "Reasoning skills may not be necessary for finding the right answers to moral problems, but you cannot participate in collective debates without having them" (Musschenga 2009: 609).

In conclusion, this chapter was designed to highlight some typical features of the empirical and normative approaches toward exploring ethical leadership and ethical decision-making. Based on a respect for the unique disciplinary foci, while remaining critical, we tried to sketch out some areas of intersections where ethics and psychology can learn and benefit from each other. Of course, more work and ongoing dialog are needed to develop further forms of integration. We believe, however, that attempts at interdisciplinary collaboration in the development of business ethics are, in the long term, beneficial for researchers and practitioners alike.

Author Queries

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Queries	Details Required	Author's Response
AU1	Please confirm the corresponding author.	
AU2	Please confirm the affiliation of the author "Carmen Tanner".	
AU3	The references Price (2005), Baumeister et al. (2007), Treviño et al. (2003, 2007), Ciulla (1998), Dunfee and Donaldson (2009) are not provided in the reference list. Please check.	